

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>COTTRELLVILLE TOWNSHIP</b>	County <b>ST. CLAIR</b>
Audit Date <b>3/31/05</b>	Opinion Date <b>6/15/05</b>	Date Accountant Report Submitted to State: <b>8/22/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>BERTHIAUME &amp; COMPANY CPAS</b>			
Street Address <b>60 HARROW LANE</b>	City <b>SAGINAW</b>	State <b>MI</b>	ZIP <b>48638</b>
Accountant Signature <i>Kenneth A. Berthiaume</i>		Date <i>8-22-05</i>	

# **COTTRELLVILLE TOWNSHIP**

St. Clair County, Michigan

## **FINANCIAL STATEMENTS**

March 31, 2005

# COTTRELLVILLE TOWNSHIP

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**BERTHIAUME  
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**INDEPENDENT AUDITORS' REPORT**

To the Township Board  
Cottrellville Township, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cottrellville Township, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Cottrellville Township's, management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cottrellville Township, Michigan, as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cottrellville Township's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

As described in Note 15, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and related statements, as of April 1, 2004.

*Berthiaume & Co.*

June 15, 2005

## ***BASIC FINANCIAL STATEMENTS***

# COTTRELLVILLE TOWNSHIP

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## STATEMENT OF NET ASSETS

March 31, 2005

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 1,280,616	\$ 458,149	\$ 1,738,765
Receivables	72,077	138,522	210,599
Prepaid items and other assets	-	4,224	4,224
Restricted cash and cash equivalents	-	90,720	90,720
Capital assets:			
Nondepreciable capital assets	261,303	-	261,303
Depreciable capital assets, net	<u>184,548</u>	<u>1,135,314</u>	<u>1,319,862</u>
 Total assets	 <u>1,798,544</u>	 <u>1,826,929</u>	 <u>3,625,473</u>
<b>Liabilities:</b>			
Accounts payable and accrued expenses	<u>42,362</u>	<u>95,316</u>	<u>137,678</u>
 Total liabilities	 <u>42,362</u>	 <u>95,316</u>	 <u>137,678</u>
<b>Net assets:</b>			
Invested in capital assets	445,851	1,135,314	1,581,165
Restricted for:			
Debt service	-	90,720	90,720
Unrestricted	<u>1,310,331</u>	<u>505,579</u>	<u>1,815,910</u>
 Total net assets	 <u>\$ 1,756,182</u>	 <u>\$ 1,731,613</u>	 <u>\$ 3,487,795</u>

*The accompanying notes are an integral part of these financial statements.*

# COTTRELLVILLE TOWNSHIP

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## STATEMENT OF ACTIVITIES

Year Ended March 31, 2005

		Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
	Expenses				
<b>Functions/Programs</b>					
<i>Governmental activities:</i>					
General government	\$ 219,488	\$ 212	\$ 3,090	\$ -	\$(216,186)
Public safety	131,500	34,814	1,619	-	(95,067)
Public works	289,287	144,670	1,591	-	(143,026)
Health and welfare	1,500	-	-	-	(1,500)
Community and economic development	24,429	-	-	-	(24,429)
Recreation and culture	<u>34,249</u>	<u>2,414</u>	<u>34,393</u>	<u>24,000</u>	<u>26,558</u>
Total governmental activities	<u>\$ 700,453</u>	<u>\$ 182,110</u>	<u>\$ 40,693</u>	<u>\$ 24,000</u>	<u>\$(453,650)</u>
<i>Business-type activities:</i>					
Sewer	277,640	225,350	-	-	(52,290)
Water	<u>246,852</u>	<u>295,089</u>	<u>-</u>	<u>-</u>	<u>48,237</u>
Total business-type activities	<u>\$ 524,492</u>	<u>\$ 520,439</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,053)</u>

continued

*The accompanying notes are an integral part of these financial statements.*

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	<b><u>Governmental Activities</u></b>	<b><u>Business- type Activities</u></b>	<b><u>Total</u></b>
<i>Changes in net assets:</i>			
Net (Expense) Revenue	\$ (453,650)	\$ (4,053)	\$ (457,703)
<i>General revenues:</i>			
Taxes:			
Property taxes, levied for general purpose	89,452	-	89,452
Franchise taxes	8,294	-	8,294
Grants and contributions not restricted to specific programs	257,685	-	257,685
Unrestricted investment earnings	18,024	7,970	25,994
Miscellaneous	<u>19,193</u>	<u>-</u>	<u>19,193</u>
Total general revenues	<u>392,648</u>	<u>7,970</u>	<u>400,618</u>
Change in net assets	(61,002)	3,917	(57,085)
Net assets, beginning of year	<u>1,817,184</u>	<u>1,727,696</u>	<u>3,544,880</u>
Net assets, end of year	<u>\$ 1,756,182</u>	<u>\$ 1,731,613</u>	<u>\$ 3,487,795</u>

# COTTRELLVILLE TOWNSHIP

## GOVERNMENTAL FUNDS

### BALANCE SHEET

March 31, 2005

	<b>General Fund</b>	<b>Park Fund</b>	<b>Garbage Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>					
Cash and cash equivalents	\$ 1,080,130	\$ 8,142	\$ 91,120	\$ 101,224	\$ 1,280,616
Taxes receivable	6,169	-	-	-	6,169
Accounts receivable	12,690	-	-	-	12,690
Special assessments receivable	-	-	12,870	74	12,944
Due from other governmental units	40,274	-	-	-	40,274
Total assets	<u>\$ 1,139,263</u>	<u>\$ 8,142</u>	<u>\$ 103,990</u>	<u>\$ 101,298</u>	<u>\$ 1,352,693</u>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable and accrued expenses	\$ 27,047	\$ 8,142	\$ -	\$ 115	\$ 35,304
Due to other governmental units	583	-	-	-	583
Deposits payable	6,475	-	-	-	6,475
Total liabilities	<u>34,105</u>	<u>8,142</u>	<u>-</u>	<u>115</u>	<u>42,362</u>
<b>Fund balances:</b>					
Unreserved:					
General fund	1,105,158	-	-	-	1,105,158
Special revenue funds	-	-	103,990	101,183	205,173
Total fund balances	<u>1,105,158</u>	<u>-</u>	<u>103,990</u>	<u>101,183</u>	<u>1,310,331</u>
Total liabilities and fund balances	<u>\$ 1,139,263</u>	<u>\$ 8,142</u>	<u>\$ 103,990</u>	<u>\$ 101,298</u>	<u>\$ 1,352,693</u>

*The accompanying notes are an integral part of these financial statements.*

# COTTRELLVILLE TOWNSHIP

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## RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

March 31, 2005

<b>Total fund balances for governmental funds</b>			<b>\$ 1,310,331</b>
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Total net assets reported for governmental activities in the statement of  
of net assets is different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the governmental funds.

Governmental capital assets	479,873	
Less accumulated depreciation	<u>(34,022)</u>	<u>445,851</u>

<b>Net assets of governmental activities</b>		<b><u>\$ 1,756,182</u></b>
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*The accompanying notes are an integral part of these financial statements.*

# COTTRELLVILLE TOWNSHIP

## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2005

	General Fund	Park Fund	Garbage Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 89,452	\$ -	\$ -	\$ -	\$ 89,452
Licenses and permits	43,108	-	-	-	43,108
State grants	259,304	-	-	-	259,304
Contributions from other units	-	13,781	-	-	13,781
Charges for services	2,626	-	139,370	-	141,996
Interest and rents	23,124	-	200	-	23,324
Other revenue	22,494	44,613	-	1,379	68,486
Total revenues	440,108	58,394	139,570	1,379	639,451
<b>Expenditures:</b>					
<i>Current:</i>					
General government	183,481	-	-	-	183,481
Public safety	128,047	-	-	-	128,047
Public works	155,981	-	131,366	1,380	288,727
Health and welfare	1,500	-	-	-	1,500
Community and economic development	23,760	-	-	-	23,760
Recreation and culture	-	29,960	-	-	29,960
Other	35,123	-	-	-	35,123
Capital outlay	167,595	86,079	-	-	253,674
Total expenditures	695,487	116,039	131,366	1,380	944,272
Excess (deficiency) of revenues over expenditures	(255,379)	(57,645)	8,204	(1)	(304,821)
<b>Other financing sources (uses):</b>					
Transfers in	-	57,645	-	-	57,645
Transfers out	(57,645)	-	-	-	(57,645)
Total other financing sources (uses)	(57,645)	57,645	-	-	-
Net change in fund balances	(313,024)	-	8,204	(1)	(304,821)
Fund balances, beginning of year, as restated	1,418,182	-	95,786	101,184	1,615,152
Fund balances, end of year	\$ 1,105,158	\$ -	\$ 103,990	\$ 101,183	\$ 1,310,331

The accompanying notes are an integral part of these financial statements.

# COTTRELLVILLE TOWNSHIP

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## RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2005

**Net change in fund balances - total governmental funds** \$ (304,821)

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	253,191	
Less depreciation expense	<u>(9,372)</u>	<u>243,819</u>

**Change in net assets of governmental activities** \$ (61,002)

*The accompanying notes are an integral part of these financial statements.*

# COTTRELLVILLE TOWNSHIP

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## PROPRIETARY FUNDS STATEMENT OF NET ASSETS

March 31, 2005

	<b>Major Enterprise Funds</b>		
	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Total</b>
<b>Assets:</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 458,149	\$ -	\$ 458,149
Accounts receivable	58,361	80,161	138,522
Prepaid expenses	4,224	-	4,224
	<u>520,734</u>	<u>80,161</u>	<u>600,895</u>
<b>Noncurrent assets:</b>			
Restricted cash and cash equivalents	90,720	-	90,720
Capital assets:			
Depreciable capital assets, net	541,311	594,003	1,135,314
	<u>632,031</u>	<u>594,003</u>	<u>1,226,034</u>
Total noncurrent assets			
	<u>632,031</u>	<u>594,003</u>	<u>1,226,034</u>
Total assets	<u>1,152,765</u>	<u>674,164</u>	<u>1,826,929</u>
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Checks written against future deposits	-	30,263	30,263
Accounts payable and accrued expenses	11,883	53,170	65,053
	<u>11,883</u>	<u>83,433</u>	<u>95,316</u>
Total current liabilities			
	<u>11,883</u>	<u>83,433</u>	<u>95,316</u>
Total liabilities	<u>11,883</u>	<u>83,433</u>	<u>95,316</u>
<b>Net assets:</b>			
Invested in capital assets	541,311	594,003	1,135,314
Restricted for:			
Asset replacement	90,720	-	90,720
Unrestricted	508,851	(3,272)	505,579
	<u>508,851</u>	<u>(3,272)</u>	<u>505,579</u>
Total net assets	<u>\$ 1,140,882</u>	<u>\$ 590,731</u>	<u>\$ 1,731,613</u>

*The accompanying notes are an integral part of these financial statements.*

# COTTRELLVILLE TOWNSHIP

## PROPRIETARY FUNDS

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended March 31, 2005

	Major Enterprise Funds		
	Sewer Fund	Water Fund	Total
<b>Operating revenues:</b>			
Charges for services	\$ 225,350	\$ 293,142	\$ 518,492
 Total operating revenues	 225,350	 293,142	 518,492
<b>Operating expenses:</b>			
Personnel	5,703	4,513	10,216
Supplies	709	709	1,418
Contracted services	29,739	14,941	44,680
Sewage treatment	191,759	-	191,759
Purchase of water	-	194,813	194,813
Telephone	100	100	200
Mileage	381	658	1,039
Dues and membership fees	175	1,058	1,233
Education and training	331	413	744
Printing and publishing	111	391	502
Utilities	3,057	-	3,057
Repair and maintenance	16,987	14,734	31,721
Other services and supplies	219	890	1,109
Depreciation	28,369	13,632	42,001
 Total operating expenses	 277,640	 246,852	 524,492
 Operating income (loss)	 (52,290)	 46,290	 (6,000)
<b>Non-operating revenues (expenses):</b>			
Interest income	7,970	1,443	9,413
Other revenue	-	504	504
 Total non-operating revenues (expenses)	 7,970	 1,947	 9,917
 Net income (loss)	 (44,320)	 48,237	 3,917
 Net assets, beginning of year, as restated	 1,185,202	 542,494	 1,727,696
 Net assets, end of year	 <u>\$ 1,140,882</u>	 <u>\$ 590,731</u>	 <u>\$ 1,731,613</u>

*The accompanying notes are an integral part of these financial statements.*

# COTTRELLVILLE TOWNSHIP

## PROPRIETARY FUNDS STATEMENT OF CASH FLOWS

Year Ended March 31, 2005

	Major Enterprise Funds		
	Sewer Fund	Water Fund	Total
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 223,740	\$ 274,124	\$ 497,864
Cash payments to employees	(5,703)	(4,513)	(10,216)
Cash payments to suppliers for goods and services	(223,910)	(220,361)	(444,271)
Net cash provided (used) by operating activities	(5,873)	49,250	43,377
<b>Cash flows from capital and related financing activities:</b>			
Acquisition and construction of capital assets	(41,449)	(78,566)	(120,015)
Other revenue	-	504	504
Net cash used by capital and related financing activities	(41,449)	(78,062)	(119,511)
<b>Cash flows from investing activities:</b>			
Interest received	7,970	1,443	9,413
Net cash provided by investing activities	7,970	1,443	9,413
Net increase (decrease) in cash and cash equivalents	(39,352)	(27,369)	(66,721)
Cash and cash equivalents, beginning of year	588,221	(2,894)	585,327
Cash and cash equivalents, end of year	\$ 548,869	\$ (30,263)	\$ 518,606
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (52,290)	\$ 46,290	\$ (6,000)
Adjustments:			
Depreciation	28,369	13,632	42,001
Change in assets and liabilities:			
Accounts receivable	(1,610)	(19,018)	(20,628)
Prepaid expenses	28,741	-	28,741
Accounts payable and accrued expenses	(9,083)	8,346	(737)
Net cash provided (used) by operating activities	\$ (5,873)	\$ 49,250	\$ 43,377

The accompanying notes are an integral part of these financial statements.

# COTTRELLVILLE TOWNSHIP

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*FIDUCIARY FUNDS*  
**STATEMENT OF NET ASSETS**  
March 31, 2005

	<b><u>Agency Funds</u></b>
<b>Assets:</b>	
Cash and cash equivalents	\$ <u>12,690</u>
 Total assets	 <u>12,690</u>
<b>Liabilities:</b>	
Accounts payable and accrued expenses	<u>12,690</u>
 Total liabilities	 <u>12,690</u>
<b>Net Assets:</b>	
Unrestricted	<u>-</u>
 Total net assets	 <u><u>\$ -</u></u>

*The accompanying notes are an integral part of these financial statements.*

## ***NOTES TO FINANCIAL STATEMENTS***

# COTTRELLVILLE TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS

March 31, 2005

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The accounting policies of Cottrellville Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity:**

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Township. In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Township may be financially accountable and, as such, should be included within the Township's financial statements. The Township (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Township. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There are no component units included in the Township's reporting entity.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation:**

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

#### *Government-wide Financial Statements:*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government. These statements distinguish between activities that are governmental and those that are business-type activities.

# COTTRELLVILLE TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Township's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Township does not allocate indirect costs. In creating the government-wide financial statements the Township has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Township as an entity and the change in the Township's net assets resulting from current year activities.

### *Fund Financial Statements:*

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

# COTTRELLVILLE TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The Township reports the following major governmental funds:

The **General Fund** is the primary operating fund of the Township. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The **Park Fund** is used to account for funds received from County tax levies and private contributions for the purpose of providing park activities.

The **Garbage Fund** is used to account for the special assessment levy for the purpose of providing garbage collection services.

The Township reports the following major enterprise funds:

The **Sewer Fund** is used to account for the revenues and expenses for the operation of a sewer system.

The **Water Fund** is used to account for the revenues and expenses for the operation of a water system.

Private-sector standards of accounting and financial reporting issued prior to March 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

### **Assets, Liabilities and Equity:**

**Deposits and Investments** – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments are stated at fair value. For purposes of the statement of cash flows, the Township considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

# COTTRELLVILLE TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

**Interfund Receivables and Payables** – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

**Inventories and Prepaid Items** – Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets** – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Township defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Equipment	5-20 years
Furniture	10 years
Site improvements	20 years

**Compensated Absences** – It is the Township’s policy to not permit employees to accumulate earned but unused sick and vacation days. Therefore, no liability is recorded in the government-wide financial statements or the proprietary fund financial statements.

**Long-term Obligations** – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

# COTTRELLVILLE TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

### **Eliminations and Reclassifications:**

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

### **Property Taxes:**

Township property taxes are attached as an enforceable lien on property as of July 1 for the summer levy and March 1 for the winter levy. Taxes levied July 1 and March 1 are due without penalty on or before September 14 and February 14, respectively. These tax bills include the Township’s own property taxes and taxes billed on behalf of the school districts within the Township boundaries and St. Clair County.

The 2005 taxable valuation of the Township totaled \$116,369,087, on which ad valorem taxes levied consisted of .7297 mills for the Township’s operating purposes.

The delinquent real property taxes of the Township are purchased by St. Clair County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

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## **NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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### **Budgetary Information:**

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, a proposed operating budget by fund for each year is submitted to the Township Board for consideration. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted by adoption of the Township Board.
4. Any revision that alters the total expenditures of any fund must be approved by the Township.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the Township Board is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

# COTTRELLVILLE TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

### Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the Township did not incur expenditures that were in excess of the amounts budgeted.

### State Construction Code Act:

The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus generated since January 1, 2000 is as follows:

Cumulative surplus at April 1, 2004	\$ 10,668
Current year building permit revenue	34,814
Related expenses:	
Direct costs	<u>48,429</u>
Cumulative surplus at March 31, 2005	<u>\$ -</u>

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## NOTE 3: DEPOSITS AND INVESTMENTS

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The Township's deposits and investments at March 31, 2005 are included in the statement of net assets under the following categories:

	<b>Governmental <u>Activities</u></b>	<b>Business-type <u>Activities</u></b>	<b><u>Total</u></b>
Cash and cash equivalents	\$ 1,280,616	\$ 458,149	\$ 1,738,765
Restricted cash and cash equivalents	-	90,720	90,720
Checks written against future deposits	<u>-</u>	<u>(30,263)</u>	<u>(30,263)</u>
Total	<u>\$ 1,280,616</u>	<u>\$ 518,606</u>	<u>\$ 1,799,222</u>

### Deposits:

The breakdown between deposits and investments for the Township is as follows:

Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 1,747,711
Public funds investment trust	<u>51,511</u>
Total	<u>\$ 1,799,222</u>

The deposits of the primary government were reflected in the accounts of financial institutions (without recognition of checks written but not yet cleared or of deposits in transit) at \$1,814,092, of which \$400,000 is covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Township believes that due to the dollar amount of cash deposits and the limits of the FDIC

# COTTRELLVILLE TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk each institution; only those institutions with an acceptable estimated risk level are used as depositories. To the extent that cash from various funds has been pooled, related investment income is allocated to each fund based on relative participation in the pool.

### Investments:

State statutes authorize the Township to invest surplus funds in certificates of deposit, savings accounts and deposit accounts with banks and savings and loan associations which are members of FDIC, credit unions which are insured by NCUA, bonds, bills or notes of the U.S., commercial paper rated within the 3 highest classifications established, U.S. or federal agency obligation repurchase agreements, bankers' acceptances and mutual funds composed entirely of the aforementioned investments that are legal for direct investment by a Township.

Investments are categorized into these three categories of credit risk:

**Category 1** – Insured or registered, or securities held by the Township or its agent in the Township's name;

**Category 2** – Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name; and

**Category 3** – Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Township's name.

At year end, the Township's investment balances were categorized as follows:

	Category			Reported Amount (Fair Value)
	1	2	3	
<b>Primary government:</b>				
Investments not subject to categorization:				
Standard Federal Bank - Public funds				
investment trust	\$ -	\$ -	\$ -	\$ 51,511

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## NOTE 4: RESTRICTED ASSETS

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### Sewer Fund Reserves:

The sewer ordinance of Cottrellville Township requires that, annually, if excess is available after expenses of the Sewer Fund, \$6,480 be placed in an asset replacement fund. The cumulative amount transferred for replacement as of March 31, 2005 is \$90,720. This amount is shown in restricted cash and cash equivalents.

# COTTRELLVILLE TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

### NOTE 5: CAPITAL ASSETS

Governmental and business-type activities capital asset activity for the year ended March 31, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Nondepreciable capital assets:				
Land	\$ 33,800	\$ -	\$ -	\$ 33,800
Construction in progress	<u>77,853</u>	<u>149,650</u>	<u>-</u>	<u>227,503</u>
Total nondepreciable capital assets	<u>111,653</u>	<u>149,650</u>	<u>-</u>	<u>261,303</u>
Depreciable capital assets:				
Buildings and improvements	29,531	-	-	29,531
Equipment	64,451	18,100	-	82,551
Furniture	2,099	-	-	2,099
Site improvements	<u>18,948</u>	<u>85,441</u>	<u>-</u>	<u>104,389</u>
Total depreciable capital assets	<u>115,029</u>	<u>103,541</u>	<u>-</u>	<u>218,570</u>
Accumulated depreciation	<u>(24,650)</u>	<u>(9,372)</u>	<u>-</u>	<u>(34,022)</u>
Depreciable capital assets, net	<u>90,379</u>	<u>94,169</u>	<u>-</u>	<u>184,548</u>
Governmental activities, capital assets, net	<u>\$ 202,032</u>	<u>\$ 243,819</u>	<u>\$ -</u>	<u>\$ 445,851</u>

# COTTRELLVILLE TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Depreciable capital assets				
Equipment	\$ 1,595	\$ 14,341	\$ -	\$ 15,936
Sewer system	1,424,406	41,448	-	1,465,854
Water system	<u>673,635</u>	<u>64,226</u>	<u>-</u>	<u>737,861</u>
 Total depreciable capital assets	<u>2,099,636</u>	<u>120,015</u>	<u>-</u>	<u>2,219,651</u>
 Accumulated depreciation	<u>(1,042,336)</u>	<u>(42,001)</u>	<u>-</u>	<u>(1,084,337)</u>
 Depreciable capital assets, net	<u>1,057,300</u>	<u>78,014</u>	<u>-</u>	<u>1,135,314</u>
 Business-type activities, capital assets, net	<u>\$ 1,057,300</u>	<u>\$ 78,014</u>	<u>\$ -</u>	<u>\$ 1,135,314</u>

Depreciation expense was charged to functions as follows:

<b>Governmental activities:</b>	
General government	\$ 5,083
Recreation and culture	<u>4,289</u>
 Total governmental activities	<u>\$ 9,372</u>
 <b>Business-type activities:</b>	
Sewer	\$ 28,369
Water	<u>13,632</u>
 Total business-type activities	<u>\$ 42,001</u>

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## NOTE 6: DEFERRED REVENUE

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Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At March 31, 2005, the Township had no deferred revenue.

# COTTRELLVILLE TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

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### NOTE 7: LONG-TERM LIABILITIES

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The Township had no long-term liabilities at March 31, 2005.

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### NOTE 8: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

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Receivables and payables as of year end for the Township's governmental and business-type activities in the aggregate are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
<b>Receivables:</b>		
Taxes	\$ 6,169	\$ -
Accounts	12,690	138,523
Special assessments	12,944	-
Intergovernmental	<u>40,274</u>	<u>-</u>
Total receivables	<u>\$ 72,077</u>	<u>\$ 138,523</u>
<b>Accounts payable and accrued expenses:</b>		
Checks written in excess of deposits	\$ -	\$ 30,263
Accounts	32,409	65,053
Payroll and related liabilities	2,895	-
Intergovernmental	583	-
Deposits payable	<u>6,475</u>	<u>-</u>
Total accounts payable and accrued expenses	<u>\$ 42,362</u>	<u>\$ 95,316</u>

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### NOTE 9: INTERFUND BALANCES AND TRANSFERS

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The Township had no outstanding interfund receivable and payable balances at March 31, 2005.

Interfund transfers reported in the fund statements were as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
General Fund	Park Fund	<u>\$ 57,645</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

# COTTRELLVILLE TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

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### NOTE 10: RISK MANAGEMENT

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The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for these risks of loss. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

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### NOTE 11: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

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#### **Pension Plan:**

The Township provides a defined contribution plan for three employees. The employees contribute 10% of their gross salary to their deferred compensation plan and the Township contributes 10%. The defined contribution plan is administered by ICMA Retirement. The actual and required contribution as of March 31, 2005 was \$4,600.

#### **Post Employment Benefits:**

The Township provides no post employment benefits to retirees.

#### **Deferred Compensation Plan:**

The Township offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan permits employees to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseeable emergency.

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### NOTE 12: FUND EQUITY

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Specific reservations on fund equity include:

**Reserved for prepaid expenditures** – This reserve was created to indicate that the portion of fund balance represented by prepaid expenditures is not available for appropriation.

**Reserved for asset replacement** – This reserve was created to indicate that the portion of retained earnings is not available for appropriation.

# COTTRELLVILLE TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

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### NOTE 13: DEFICIT NET ASSETS

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The Water Fund has a deficit in its unrestricted net assets of \$3,272 at March 31, 2005.

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### NOTE 14: PRIOR PERIOD ADJUSTMENTS

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#### Accounting Change:

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments* (Statement). The Township is required to implement the new requirements for the year ended March 31, 2005. The more significant of the changes to the financial statements as a result of the Statement are as follows:

For the first time, the financial statements will include:

- Government-wide financial statements prepared using full accrual accounting for all of the Township's activities.
- Fund financial statements, consisting of a series of statements that focus on a government's major governmental and enterprise funds.

As a result of implementing the Statement, the following restatements were made to beginning fund balance and net asset accounts:

#### Fund Financial Statements:

The beginning net assets of the enterprise funds were derived by aggregating the previously reported retained earnings and contributed capital of those funds.

#### Government-wide Financial Statements:

Beginning net assets for governmental activities was determined as follows:

Fund balances of general and special revenue funds as of 3/31/04, as restated	\$ 1,615,152
Add: Governmental capital assets, including general fixed assets, as of 3/31/04	226,682
Deduct: Accumulated depreciation as of 3/31/04 on above governmental capital assets	<u>(24,650)</u>
Governmental net assets, restated, as of 3/31/04	<u>\$ 1,817,184</u>

# COTTRELLVILLE TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

### Change in Recognition of Sales Tax Revenue:

Recognition of state shared revenue payments of sales tax should agree with the State of Michigan's distribution periods. In prior years, the payment distributed in April for January/February collection period was recorded as revenue in the next year, or the year that it was received. In accordance with accounting principles generally accepted in the United States of America, this payment should be accrued to the prior year. The effect of this adjustment on General Fund fund balance is as follows:

Fund balance, as previously stated, as of 3/31/04	\$ 1,383,576
Add: State shared revenue for sales tax that should have accrued to prior year	<u>34,606</u>
Fund balance, restated, as of 3/31/04	<u>\$ 1,418,182</u>

### Correction of an Error:

In fiscal year 2005, the Township received a rebate for fiscal year 2004 sewer over charges by City of Marine City. The effect of this rebate on the Sewer Fund net assets is as follows:

Net assets, as previously stated, as of 3/31/04	\$ 1,152,237
Add: Rebate for over charged sewer treatment services	<u>32,965</u>
Net assets, as restated, as of 3/31/04	<u>\$ 1,185,202</u>

***REQUIRED SUPPLEMENTAL INFORMATION***

# COTTRELLVILLE TOWNSHIP

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2005

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Actual</b>
	<b>Original</b>	<b>Final</b>		<b>Over (Under) Final Budget</b>
<b>Revenues:</b>				
Property taxes	\$ 81,800	\$ 81,800	\$ 89,452	\$ 7,652
Licenses and permits	42,900	42,900	43,108	208
State grants	241,600	241,600	259,304	17,704
Charges for services	6,325	6,325	2,626	(3,699)
Fines and forfeits	100	100	-	(100)
Interest and rents	12,300	12,300	23,124	10,824
Other revenue	14,600	14,600	22,494	7,894
Total revenues	399,625	399,625	440,108	40,483
<b>Expenditures:</b>				
<i>Current:</i>				
General government	260,500	183,481	183,481	-
Public safety	100,000	128,047	128,047	-
Public works	224,700	155,981	155,981	-
Health and welfare	2,500	1,500	1,500	-
Community and economic development	16,600	23,760	23,760	-
Other	77,000	35,123	35,123	-
Capital outlay	-	167,595	167,595	-
Total expenditures	681,300	695,487	695,487	-
Excess (deficiency) of revenues over expenditures	(281,675)	(295,862)	(255,379)	40,483
<b>Other financing uses:</b>				
Transfers out	90,000	57,645	57,645	-
Total other financing uses	90,000	57,645	57,645	-
Net change in fund balance	(371,675)	(353,507)	(313,024)	40,483
Fund balance, beginning of year, as restated	1,418,182	1,418,182	1,418,182	-
Fund balance, end of year	\$ 1,046,507	\$ 1,064,675	\$ 1,105,158	\$ 40,483

# COTTRELLVILLE TOWNSHIP

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## *SPECIAL REVENUE FUND – PARK FUND*

### **BUDGETARY COMPARISON SCHEDULE**

Year Ended March 31, 2005

	<b>Budgeted Amounts</b>			<b>Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Over (Under) Final Budget</b>
<b>Revenues:</b>				
Contributions from other units	\$ 13,200	\$ 13,781	\$ 13,781	\$ -
Other revenue	-	44,613	44,613	-
Total revenues	13,200	58,394	58,394	-
<b>Expenditures:</b>				
<i>Current:</i>				
Recreation and culture	90,000	29,960	29,960	-
Capital outlay	-	86,079	86,079	-
Total expenditures	90,000	116,039	116,039	-
Excess (deficiency) of revenues over expenditures	(76,800)	(57,645)	(57,645)	-
<b>Other financing sources:</b>				
Transfers in	90,000	57,645	57,645	-
Total other financing sources	90,000	57,645	57,645	-
Net change in fund balance	13,200	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ 13,200	\$ -	\$ -	\$ -

# COTTRELLVILLE TOWNSHIP

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## *SPECIAL REVENUE FUND – GARBAGE FUND*

### **BUDGETARY COMPARISON SCHEDULE**

Year Ended March 31, 2005

	<b>Budgeted Amounts</b>			<b>Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Over (Under)</b>
				<b>Final Budget</b>
<b>Revenues:</b>				
Charges for services	\$ 133,000	\$ 133,000	\$ 139,370	\$ 6,370
Interest and rents	-	-	200	200
Total revenues	133,000	133,000	139,570	6,570
<b>Expenditures:</b>				
<i>Current:</i>				
Public works	133,000	133,000	131,366	(1,634)
Total expenditures	133,000	133,000	131,366	(1,634)
Excess (deficiency) of revenues over expenditures	-	-	8,204	8,204
Fund balance, beginning of year	95,786	95,786	95,786	-
Fund balance, end of year	<u>\$ 95,786</u>	<u>\$ 95,786</u>	<u>\$ 103,990</u>	<u>\$ 8,204</u>

***OTHER SUPPLEMENTAL INFORMATION***

# COTTRELLVILLE TOWNSHIP

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## GENERAL FUND

### DETAILED SCHEDULE OF REVENUES

Year Ended March 31, 2005

***Current taxes:***

Property taxes	\$ 87,987
Trailer tax	1,465
	<u>89,452</u>

***Licenses and permits:***

Nonbusiness licenses and permits	34,814
CATV franchise fees	8,294
	<u>43,108</u>

***State grants:***

Liquor license fees	1,619
State revenue sharing - sales tax	257,685
	<u>259,304</u>

***Charges for services:***

Copies	212
Zoning/Planning/Land division fees	2,414
	<u>2,626</u>

***Interest and rents:***

Interest	17,824
Rents	5,300
	<u>23,124</u>

***Other revenue:***

Special assessments	212
Contributions and donations	3,090
Reimbursements	13,818
Refunds and rebates	2,069
Other	3,305
	<u>22,494</u>

Total revenues	<u><u>\$ 440,108</u></u>
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# COTTRELLVILLE TOWNSHIP

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES

Year Ended March 31, 2005

**Expenditures:**

***General Government:***

*Board:*

Personnel	\$ 3,158
Supplies	678
Contracted services	4,316
Travel/Mileage	188
Dues and memberships	2,186
Conference and travel	2,059
Printing and publications	797
Insurance	100
Other	216
	<u>13,698</u>

*Supervisor:*

Personnel	20,527
Supplies	120
Contracted services	416
Telephone	301
Travel/Mileage	731
Dues and memberships	80
Conference and travel	570
Other	647
	<u>23,392</u>

*Clerk:*

Personnel	43,073
Supplies	4,765
Contracted services	1,641
Telephone	21
Travel/Mileage	651
Dues and memberships	35
Conference and travel	2,387
Printing and publications	1,341
Other	3,848
	<u>57,762</u>

*Audit:*

Contracted services	<u>5,250</u>
	<u>5,250</u>

*Board of Review:*

Personnel	2,056
Conference and travel	542
Printing and publications	548
	<u>3,146</u>

# COTTRELLVILLE TOWNSHIP

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended March 31, 2005

**Expenditures, continued:**

**General Government, continued:**

*Treasurer:*

Personnel	\$ 24,163
Supplies	2,398
Contracted services	2,009
Travel/Mileage	426
Dues and memberships	80
Conference and travel	1,209
Other	1,085
	<u>31,370</u>

*Assessor:*

Personnel	17,005
Supplies	3,752
Contracted services	994
Travel/Mileage	12
Conference and travel	56
Other	995
	<u>22,814</u>

*Elections:*

Personnel	2,088
Supplies	1,420
Contracted services	514
Travel/Mileage	221
Printing and publications	352
Other	93
	<u>4,688</u>

*Buildings and Grounds:*

Personnel	158
Supplies	1,890
Contracted services	4,635
Telephone	2,766
Travel/Mileage	138
Printing and publications	173
Utilities	2,762
Repairs and maintenance	3,246
Other	1,386
	<u>17,154</u>

*Attorney:*

Contracted services	3,703
	<u>3,703</u>

*Other General Government:*

Contracted services	504
	<u>504</u>

Total general government	<u>183,481</u>
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# COTTRELLVILLE TOWNSHIP

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended March 31, 2005

#### Expenditures, continued

##### **Public Safety:**

###### *Police:*

Personnel	\$ 1,226
Travel/Mileage	53
Other	52
	<u>1,331</u>

###### *Fire:*

Contracted services	77,287
Other	1,000
	<u>78,287</u>

###### *Protective Inspection and Regulation:*

Personnel	43,776
Supplies	1,129
Contracted services	2,624
Telephone	373
Travel/Mileage	236
Education and training	186
Other	105
	<u>48,429</u>

Total public safety	<u>128,047</u>
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##### **Public Works:**

###### *Drains - Public Benefit:*

Contracted services	7,052
	<u>7,052</u>

###### *Highways and Streets:*

Supplies	27,386
Contracted services	118,197
	<u>145,583</u>

###### *Street Lighting:*

Utilities	3,346
	<u>3,346</u>

Total public works	<u>155,981</u>
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##### **Health and Welfare:**

###### *Agency on Aging/Senior Citizens:*

Other	1,500
	<u>1,500</u>

Total health and welfare	<u>1,500</u>
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# COTTRELLVILLE TOWNSHIP

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended March 31, 2005

#### Expenditures, continued

##### *Community and Economic Development:*

###### *Planning:*

Personnel	\$ 4,304
Contracted services	12,544
Conference and travel	250
Printing and publications	4,456
Other	1,489
	<u>23,043</u>

###### *Zoning:*

Personnel	189
Conference and travel	446
Other	82
	<u>717</u>

Total community and economic development	<u>23,760</u>
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##### *Other:*

Insurance	16,326
Retirement	5,613
Payroll taxes	13,184
	<u>35,123</u>

Total other	<u>35,123</u>
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##### *Capital Outlay:*

General government	167,342
Public safety	90
Community and economic development	163
	<u>167,595</u>

Total capital outlay	<u>167,595</u>
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Total expenditures	<u>695,487</u>
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##### **Other Financing Uses:**

Transfers to other funds	<u>57,645</u>
	<u>57,645</u>

Total expenditures and other financing uses	<u><u>\$ 753,132</u></u>
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# COTTRELLVILLE TOWNSHIP

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## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING BALANCE SHEET

March 31, 2005

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>Cherry Beach Lighting Fund</u>	<u>Improvement Revolving Fund</u>	<u>Nonmajor Governmental Funds</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 1,224	\$ 100,000	\$ 101,224
Special assessments receivable	74	-	74
Total assets	<u>\$ 1,298</u>	<u>\$ 100,000</u>	<u>\$ 101,298</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued expenses	<u>\$ 115</u>	<u>\$ -</u>	<u>\$ 115</u>
Total liabilities	<u>115</u>	<u>-</u>	<u>115</u>
<b>Fund balances:</b>			
Unreserved:			
Special revenue funds	<u>1,183</u>	<u>100,000</u>	<u>101,183</u>
Total fund balances	<u>1,183</u>	<u>100,000</u>	<u>101,183</u>
Total liabilities and fund balances	<u>\$ 1,298</u>	<u>\$ 100,000</u>	<u>\$ 101,298</u>

# COTTRELLVILLE TOWNSHIP

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## NONMAJOR GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2005

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>Cherry Beach Lighting Fund</u>	<u>Improvement Revolving Fund</u>	<u>Nonmajor Governmental Funds</u>
<b>Revenues:</b>			
Other revenue	\$ 1,379	\$ -	\$ 1,379
Total revenues	<u>1,379</u>	<u>-</u>	<u>1,379</u>
<b>Expenditures:</b>			
<i>Current:</i>			
Public works	<u>1,380</u>	<u>-</u>	<u>1,380</u>
Total expenditures	<u>1,380</u>	<u>-</u>	<u>1,380</u>
Excess (deficiency) of revenues over expenditures	(1)	-	(1)
Fund balance, beginning of year	<u>1,184</u>	<u>100,000</u>	<u>101,184</u>
Fund balance, end of year	<u>\$ 1,183</u>	<u>\$ 100,000</u>	<u>\$ 101,183</u>

**BERTHIAUME  
& COMPANY**

Certified Public Accountants



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**MANAGEMENT LETTER**

To the Township Board  
Cottrellville Township, Michigan

We have completed our audit of the financial statements of Cottrellville Township for the year ended March 31, 2005, and have issued our report thereon dated June 15, 2005. As part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Township's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The Township's administration is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide the administration with reasonable, but not absolute assurance that assets are safeguarded against unauthorized use or disposition and that transactions are executed in accordance with the administration's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may, nevertheless, occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Cottrellville Township taken as a whole. Our study and evaluation disclosed no new conditions in the current year that we believe to be material weaknesses. Following is the status of prior year material weaknesses:

**Status of Prior Year Material Weaknesses**

**Cash Account Reconciliations**

We observed that the Treasurer's cash balances are now being reconciled to the bank promptly and accurately each month. We found, however, that the cash account balances according to the Clerk's general ledger were still not being fully agreed and reconciled to the Treasurer's cash balances at the end of each month.

The recent implementation of the new BS&A general ledger system should alleviate this problem in the future because of the integration of the Clerk and Treasurer accounting processes.

This report is intended solely for the use of the Township management and should not be used for any other purpose.

We wish to extend our appreciation to you and your staff for the assistance accorded us during our examination.

Sincerely,

*Berthiaume & Co.*

Berthiaume & Company  
Certified Public Accountants

June 15, 2005

